

17 August 2012

Mr Warwick Anderson
General Manager, Network Regulation
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601



positive energy

NSWACTelectricity@aer.gov.au

Dear Mr Anderson

Framework and Approach Paper - Ausgrid, Endeavour Energy and Essential Energy

Energex welcomes the opportunity to make a submission to the Australian Energy Regulator's (AER) *Preliminary Positions - Framework and Approach Paper: Ausgrid, Endeavour Energy and Essential Energy regulatory control period commencing 1 July 2014* (Preliminary Positions Paper) published on 25 June 2012.

Energex supports the AER's assessment of control mechanism for direct control services and the consideration of the three factors of volume risk and revenue recovery, price flexibility and stability and incentives for demand side management. Based on these factors, Energex agrees that the benefits of a revenue cap outweigh the detriments of within period price instability.

Form of price control is a key issue for a Distribution Network Service provider (DNSP). Any change to the form of price control represents a significant business risk to DNSPs and the AER should provide adequate notification of its intention to implement such change. Energex therefore supports the ENA's argument for regulatory certainty and stability and requests that the AER place greater emphasis on clause 6.2.5(c) (3) of the National Electricity Rules (NER) which state that the AER must have regard to *'the regulatory arrangements (if any) applicable to the relevant service immediately before the commencement of the distribution determination'*.

In relation to the classification of distribution services, particularly for metering services¹ (types 5,6 and 7), Energex supports the proposal that such metering services be classified as a direct control service, due to the Responsible Person legislative obligations placed on local network service providers under clause 7.2.3(a)(2) of the NER.

¹ Activities included in this service group include: commissioning of metering and load control equipment, provision of type 5-7 meters, scheduled meter reading, unscheduled meter reading (non chargeable), meter investigation and maintaining and repairing meters and load control equipment.

Enquiries
Sue Lee
Telephone
(07) 3664 4055
Facsimile
(07) 3664 9805
Email
suelee
@energex.com.au

Corporate Office
26 Reddacliff Street
Newstead Qld 4006
GPO Box 1461
Brisbane Qld 4001
Telephone (07) 3664 4000
Facsimile (07) 3025 8301
www.energex.com.au

ENERGEX Limited
ABN 40 078 849 055

However, Energex does not support the proposal that type 5, 6 and 7 metering services be classified as alternative control services. Energex agrees with the NSW distributors' submissions in that increasing contestability of such metering services should not be a driver for consideration at this point in time.

Rather, it is more efficient to provide such metering services to a significant number of customers as an integrated distribution function as the cost of unbundling these services from the standard control services is neither efficient nor practical. The Preliminary Positions Paper refers to the fact that the Australian Capital Territory has adopted a classification for metering services of alternative control service. However, as noted in the Preliminary Positions Paper, different classifications for similar services may be appropriate given the differing circumstances between jurisdictions. In the case of the Australian Capital Territory it has a very small customer base which may influence the classification of metering services differently compared to other jurisdictions.

Energex agrees with Ausgrid² in that such metering services are necessarily integrated with other network services and are not solely attributable to billing. However, Energex agrees that where a customer requests special metering services, it is more appropriate for this service to be classified as an alternative control service.

Finally, Energex requests that the AER takes into consideration and accommodates the differing circumstances of DNSPs, when developing assessment tools and RIN templates, to ensure the information remains relevant and accurate.

Should you have any enquiries in relation to this submission please do not hesitate to contact Sue Lee, Manager Regulatory Initiatives on 07 3664 4055.

Regards



Kevin Kehl
Executive General Manager
Strategy and Regulation

² Ausgrid, *Response to the AER's consultation paper on classification of electricity distribution services in NSW and ACT*, 21 February 2012 page 20